

City of Falls Church

Meeting Date: 9-12-11	Title: ORDINANCE TO AMEND WATER SERVICE RATES AS OF OCTOBER 1, 2011 (TO11-15)	Agenda No.: 10 (a) (1)
Proposed Motion: MOVE to Adopt (TO11-15).		
Originating Dept. Head: Brenda Creel, Director, Public Utilities 703.248.5114 BJC 9/7/11 Richard La Condre, CFO 703.248.5092		Disposition by Council:
City Manager: Wyatt Shields 703.248.5004 FWS 9-8-11	City Attorney: John Foster 703.248.5010 JEF 9-8-11	CFO: Richard La Condre 703.248.5092 RAL 9-8-11

REQUEST: City Council is requested to approve an eight (8) percent increase in all water service rates, including commodity rates, peak charges, and service charges, effective October 1, 2011.

RECOMMENDATION: The City Manager, the Director of Finance, and the Director of Public Utilities recommend adoption of (TO11-15), pursuant to the consultant's final report and recommendations. The Public Utilities Commission met on June 23, 2011 to review the consultant's proposal, and voted unanimously (3-0) to recommend approval of the proposed rate report and recommendations.

BACKGROUND: City Council gave first reading of this ordinance on June 27, 2011, following presentation of the rate consultant's recommendations and a public hearing. Comments were received from nine customers at that hearing.

Second reading of the ordinance was advertised according to law in *The Washington Post* and *Falls Church News-Press*. The consultant's rate study has been posted to the City's web page since June 1. The consultant's June 27 powerpoint presentation as well as the associated staff reports have been posted to the City's web page. Hard copies of these materials have been made available in the offices of the City Manager, City Clerk, Public Utilities Customer Service, Public Utilities Administration and Mary Riley Styles Public Library. In addition, copies of these materials have been distributed to the Dolly Madison, Great Falls, Thomas Jefferson, Tysons-Pimmit, and Woodrow Wilson Libraries in Fairfax County. Further, the Mayor, Vice Mayor and City Manager met with the McLean Civic Association on July 6 to present information and respond to questions regarding the proposed water rates.

Second reading and a public hearing of this ordinance was held on July 11, 2011. Nine customers commented on the proposed rate increase at the July 11, 2011, hearing. Following public comment and discussion, the City Council voted to defer decision on TO11-15 to September 12, 2011.

Water service rates have remained the same since 2005. Over this six year period, operating and capital costs to meet the needs of the City's water system have increased. Costs associated with the purchase of water, electricity, chemicals, and asphalt have increased. In addition, approximately \$30 million has been invested to improve and

expand critical utility infrastructure, including EPA mandated improvements to the disposal of residuals at the Washington Aqueduct, distribution system water main replacements, pump station and SCADA improvements, automated meter reading equipment, and storage tank maintenance.

In May 2010, the firm of Municipal & Financial Services Group (MFSG) was awarded a financial consulting services contract to evaluate water service rates. The consultant studied the adequacy of rates to support the operational and capital costs of the water system. The resulting analysis found that the current rate structure does not provide sufficient revenue for the operation of the utility.

Since 2005, the water commodity charge has been \$3.03 per 1,000 gallons. MFSG recommends that the City increase rates eight (8) percent each year for the next 3 years, and three (3) percent annually for the following two years. This ordinance adopts the consultant's recommendation for the first year of implementation, with a proposed water commodity rate of \$3.27. MFSG also recommends that quarterly service charges and peak charges be increased by eight (8) percent. See the tables in the Ordinance below for associated rate information.

The increases in the water service rates set forth below in Ordinance (TO11-15) are authorized by Va. Code § 15.2-2143 and City Charter §§ 6.13 and 13.04.

With the rate increases proposed in this ordinance, the residential customer's quarterly (three month) water bill can be expected to increase as follows, including increases in commodity rate, peak charge and service charges:

Quarterly Sample Bill	SAMPLE Customer Bill		
	Current Rate	Proposed Rate	Quarterly \$ Increase
Residential (6,000 gallons Base Usage, No Peak Usage)	\$25.65	\$27.69	\$2.04
Residential - 5/8" Meter (6,000 gallons Base Usage, 3,000 gallons Peak Usage)	\$39.51	\$42.66	\$3.15
Residential - 5/8" Meter (12,000 gallons Base Usage, 6,000 gallons Peak Usage)	\$71.55	\$77.25	\$5.70
Residential - 5/8" Meter (18,000 gallons Base Usage, 6,000 gallons Peak Usage)	\$89.73	\$96.87	\$7.14

The attached ordinance establishes water service charges consistent with the Virginia Code § 15.2-107, which requires commodity charges to be established by ordinance.

FISCAL IMPACT: This action will provide revenues required to meet the operational and capital needs of the water system, including the establishment of three different reserve funds for the ongoing financial protection of the water system.

TIMING: Routine.

(TO11-15)

**ORDINANCE TO AMEND WATER SERVICE RATES AS OF
OCTOBER 1, 2011**

WHEREAS, the water service rates for the City were last changed as of July 1, 2005;
and

WHEREAS, pursuant to Section 13.04 of the City Charter, the City Manager and the Director of Public Utilities have recommended to City Council a change in water service rates to increase revenue to off-set the costs of operation of the water system, including the establishment of three different reserve funds for the ongoing financial protection of the water system, and the capital costs of the water system; and

WHEREAS, the City Council reserves the right to change its rate structure for water while this ordinance is effective and make any changes or adjustments that it deems appropriate; and

WHEREAS, the City Council finds that the proposed new water rates are fair and reasonable.

UPON CONSIDERATION THEREOF, THE CITY COUNCIL OF THE CITY OF FALLS CHURCH, VIRGINIA, HEREBY ORDAINS THAT water service rates are set as follows:

SERVICE RATES FOR WATER SERVICE:

I. Retail Service Metered Rates

A. Commodity Charge:

- | | |
|--|------------------------------------|
| 1. Charge for all consumption | Charge per
<u>1,000 gallons</u> |
| a. customers billed quarterly
whose accounts were in existence,
either in an active or inactive status,
during the whole of the preceding
winter quarter billing period. | see table below |
| b. by customers billed quarterly | see table below |

whose accounts were established
during or subsequent to the preceding
winter quarter billing period.

- c. by customers billed monthly see table below
whose accounts were in existence,
either in an active or inactive status,
for the preceding twelve (12) billing
periods.
- d. by customers billed monthly see table below
whose accounts were not in existence
for the preceding twelve (12) billing
periods.

Charges relative to paragraphs a - d (above) are indicated in the table below.

Water Rate-Commodity Charges effective October 1, 2011

Rate
\$3.27

B. Peak Use Charges

1. There shall be an additional peak use charge per thousand gallons for all consumption by customers billed quarterly identified in 1. (a) above in the June through November billing periods for the excess of the greater of: (a) 6,000 gallons above the consumption in the preceding smooth winter quarter billing, or (b) 1.1 times the consumption in the preceding smooth winter quarter billing period.
2. There shall be an additional peak use charge per thousand gallons for all consumption by customers billed monthly identified in 1. (c) above for any volume of water purchased during the months of May through September which is in excess of 1.1 times the average monthly volume purchased in the preceding twelve (12) billing periods

Water Rate-Peak Use Charges effective October 1, 2011

Rate
\$4.99

C. Monthly Billing Charges Based on Meter Size

Service Charge-Based on 5/8 Inch Meter effective October 1, 2011

Single Family/Townhouse		Apartments, Commercial, Industrial, Municipal	
	Rate		Rate
	\$2.69		\$5.49

152

153 **Service Charge-Based on 3/4 Inch Meter effective October 1, 2011**

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$3.66			\$6.49

154

155 **Service Charge-Based on 1 Inch Meter effective October 1, 2011**

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$4.16			\$8.32

156

157 **Service Charge-Based on 1 ¼ Inch Meter effective October 1, 2011**

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$4.65			\$9.98

158

159 **Service Charge-Based on 1 ½ Inch Meter effective October 1, 2011**

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$5.49			\$12.98

160

161 **Service Charge-Based on 2 Inch Meter effective October 1, 2011**

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$5.88			\$17.81

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Service Charge-Based on 3 Inch Meter effective October 1, 2011

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$19.81			\$47.42

Service Charge-Based on 4 Inch Meter effective October 1, 2011

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$22.63			\$65.23

Service Charge-Based on 6 Inch Meter effective October 1, 2011

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$27.12			\$85.20

Service Charge-Based on 8 Inch Meter effective October 1, 2011

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$45.42			\$229.64

Service Charge-Based on 10 Inch Meter effective October 1, 2011

Single Family/Townhouse			Apartments, Commercial, Industrial, Municipal		
		Rate			Rate
		\$76.55			\$366.10

D. Effective Dates.

The rates as described in this ordinance shall be effective on October 1, 2011.

1st Reading: 6-27-11

2nd Reading: 7-11-11

Adoption: _____

(TO11-15)